



# **The Commonwealth of Massachusetts**

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## **DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

### NOTICE OF TECHNICAL CONFERENCE

May 31, 2005

D.T.E. 04-115

Procurement of Default (Basic) Service Power Supply for Residential and Small Commercial and Industrial Customers.

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On December 6, 2004, the Department of Telecommunications and Energy issued a Request for Comments on the Procurement of Default Service Power Supply for Residential and Small Commercial and Industrial Customers, D.T.E. 04-115. Currently, for residential and small commercial and industrial customers (together, "smaller customers"), each distribution company procures 50 percent of its default/basic service supply requirement semi-annually for a one-year term. As a result, for smaller customers, each distribution company's default/basic service supply at any point in time consists of a portfolio of resources selected through the company's two most recent supply solicitations, with the default/basic service rates calculated as the average of the winning bid prices for those solicitations.

The Department requested comments on whether smaller customers would be better served if power supply for default/basic service (i) consisted of a resource portfolio selected through more than two solicitations, and (ii) was procured for a term longer than one year. The Department also requested comments on whether smaller customers would be better served if power supply for default/basic service was procured (i) using a statewide procurement process, rather than the existing service territory-specific approach, and (ii) using a descending clock auction, rather than the existing request for proposal approach. The Department requested that commenters discuss the advantages and disadvantages of each of these alternate procurement approaches.

Comments were submitted on January 10, 2005 and January 24, 2005. Certain commenters supported maintaining the Department's current procurement approach while others expressed support for a "laddered" resource portfolio approach in which power supply for default/basic service would consist of a combination of short-term, medium-term and long term purchases. Within the laddered approach, some commenters discussed the use of long-term (e.g., ten-year) contracts for renewable resources.

The Department appreciates the comments submitted in this docket. Interested parties will have an opportunity to discuss these issues further at a technical session to be held at the Department's offices at **9:30 a.m. on June 20, 2005**. In addition to the issues raised by the commenters in D.T.E. 04-115, the Department would like to discuss initiatives we could undertake as part of our ongoing effort to facilitate the development of a competitive retail market for smaller customers (see e.g., Competitive Market Initiatives, D.T.E. 01-54-B at 7-9 (2002); Provision of Default Service, D.T.E. 02-40-B at 7 (2003)).

Any interested person wishing to participate in this technical session must notify the Department of their intent to participate no later than the close of business on **June 13, 2005**. Such notice may be in writing or by email to [shirley.barosy@state.ma.us](mailto:shirley.barosy@state.ma.us) and should include complete contact information for all participants (name, title, company name, business address, telephone, fax, and email address). Attachment 1 to this notice includes an outline of the agenda for the technical session.

### **D.T.E. 04-115 TECHNICAL SESSION AGENDA**

#### **Laddered Resource Portfolio Approach**

- Is a laddered approach (i.e., a portfolio of several shorter- and longer-term contracts procured for overlapping terms) likely to produce lower prices for smaller customers?
- Would the implementation of a laddered approach act as a barrier to the development of competitive options for smaller customers?

#### **Renewable Resources**

- Should long-term contracts for renewable resources be included as a component of the procurement of power supply for default/basic service?

#### **Expanding Customer Choice for Smaller Customers**

- What steps could the Department take to increase the competitive options for residential and small commercial and industrial customers?
- Are there successful initiatives in other states that could be introduced into the Massachusetts retail market?